



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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CIVIL DIVISION

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Dear Mr. Secretary:

The General Accounting Office has made a review of certain aspects of the hospital and medical facilities construction grant program authorized by title VI of the Public Health Service Act (42 U.S.C. 291 et seq.), commonly known as the Hill-Burton program. This program is administered by the Health Services and Mental Health Administration (HSMHA) of the Department of Health, Education, and Welfare (HEW). 22

Our review was concerned primarily with whether Hill-Burton program procedures should require approval of changes in the use (reclassifications) of medical facilities financed with Hill-Burton program funds from those uses specified in the Federal grant applications and with the appropriateness of HEW's policy of informally encouraging recipients of Hill-Burton funds to emphasize the private-unit concept in constructing hospital facilities.

Our comments and recommendations on these matters follow.

FEDERAL AND STATE PRACTICES CONCERNING  
CHANGES IN THE USE OF FACILITIES CONSTRUCTED WITH  
HILL-BURTON PROGRAM ASSISTANCE

Our review of selected Hill-Burton projects showed that grantees, after receiving Federal financial assistance for the construction of certain types of medical facilities, redesignated and used a part of the facilities for medical purposes other than those for which the Federal funds were granted. An example of a reclassification noted in our review follows.

On December 6, 1963, HEW approved an application from Providence Hospital in Seattle, Washington, for Federal assistance to (1) construct a new diagnostic and treatment unit and (2) reconstruct several floors of the hospital. The reconstruction project was to provide about 247 (later reduced

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to 224) long-term-nursing-care beds. The Federal share of the reconstruction costs was \$1,393,122, and the final payment was approved in September 1969.

When the hospital applied to the State for the annual renewal of its hospital license on December 1, 1969, only 49 of the 224 beds which had been constructed with Federal assistance were shown on the application as long-term-nursing-care beds. We were advised by hospital officials that the extended-care center included only 49 beds and that the other 175 beds in the reconstruction project were licensed and used for general-care purposes or were unoccupied.

State planning documents showed that, at the time the Federal financial assistance was approved, a need existed for long-term-nursing-care beds in the area where the hospital was located but that a need did not exist for general-care beds.

Under the Hill-Burton program, the State agency responsible for administering the program must certify that a need exists for a proposed project before Federal assistance is provided. A State official advised us that the bed-reclassification action by Providence Hospital had contributed to both the shortage of long-term-nursing-care beds and the excess of general-care beds in the Seattle area. At December 31, 1969, the general-care bed capacity of non-Federal hospitals in the Seattle area exceeded a projected 1975 need by 340 beds.

HEW regional office officials advised us that the practice of reclassification of facilities financed with Hill-Burton funds was not infrequent and that grantees were not required to advise HEW of such reclassifications.

We recognize that the need for a certain type of medical facility can change from that specified in the grant application. It seems to us, however, that a procedure requiring review and approval of a reclassification of the use of a facility by HEW and by the responsible State agency would be

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desirable to ensure that the reclassified use is merited under current conditions. It is important to note that projects are approved for Federal financial assistance on the basis of the State agency's certification of need under a priority system.

Your Assistant Secretary, Comptroller, advised us that HEW agreed with our proposal that a grantee should obtain approval from the State agency for proposed changes in the use of a facility receiving Hill-Burton funds. He stated that HEW had an understanding with grantees that (1) changes from one eligible use to another must not exceed the requirements for the facility category shown in the HEW-approved State plan and (2) the State agency would be notified before such changes took place. We were advised that, to strengthen this long-established policy, HEW planned to require that applicants for Hill-Burton funds include statements in their applications that they would not convert any parts of their proposed facilities from one use to another until they received approval from the cognizant State agencies.

With respect to our proposal that Federal approval also should be required for proposed changes, we were advised that HEW did not concur in that proposal when proposed changes were from one eligible use to another within the scope of the approved State plan. HEW stated its belief that the review and clearance process for proposed changes properly belonged at the State level since the State Hill-Burton agencies should be most aware of the effect and acceptability of proposed changes.

#### Conclusions and recommendation

We agree that the State Hill-Burton agencies should be most aware of the effect and acceptability of proposed changes. On the basis that HEW will require State Hill-Burton agencies to establish adequate approval procedures for proposed changes, we are not recommending that Federal approval be required. We are recommending, however, that HEW require the State Hill-Burton agencies to establish adequate procedures for monitoring and approving changes in the use of

facilities constructed or renovated with Federal financial assistance under the Hill-Burton program.

HEW'S POLICY OF ENCOURAGING  
PRIVATE NURSING UNITS IN THE CONSTRUCTION  
OF HOSPITAL FACILITIES

We noted that there was a growing trend by our Nation's hospitals to construct private-room nursing units. Hill-Burton program funds have participated in this trend. We were unable to determine the magnitude of this participation because HEW did not compile information on the types of nursing units constructed (private, semiprivate, or ward units) under the Hill-Burton program.

To determine whether the trend toward the construction of private nursing units was well founded, we obtained information from numerous sources--which included discussions with and documents from officials of HEW and the American Hospital Association, hospital administrators, and certain hospital consultants--concerning the advantages of the private hospital room as well as the advantages of the mixed unit. The information we obtained is summarized in the following paragraphs.

Claimed advantages of the private unit

Financial

1. The average length of patient stay can be reduced by as much as 1 day. (We understand that HEW has estimated that, if the patient stay for Medicare patients could be shortened by an average of only 1 day, there could be a national savings of \$400 million.)
2. Private nursing units enhance the possibility of attaining maximum occupancy rates since private units eliminate the restrictions on the use of multibed units caused by such factors as patients' sex, diagnoses, or treatment requirements. The higher the occupancy, the lower the cost for each patient day.

3. Operating costs can be reduced. The nursing-care routine is less affected by patient competition for attention, which typically occurs in multibed units. Admittance procedures are facilitated as the problems of roommate compatibility are eliminated. The necessity for patient moves within nursing units is minimized.
4. Although the initial capital investment may be higher due to added costs of private-room construction, the overall effect is nominal when amortized over a 40-year to 50-year write-off period.

Health care

1. Any single-bed unit can be isolated easily when necessary. This can be accomplished without moving the patient to be isolated or any other patients within the nursing units.
2. Patients can converse freely with their physicians.
3. Patients generally want (and can have) privacy.

Claimed advantages of a hospital  
having a room mix

Financial

1. The primary financial advantage is that the construction cost for each bed can be substantially less than that for private nursing units. Consequently the room costs to the patient can be reduced proportionately.
2. Room maintenance costs may be less. This is due, in part, to the use of shared bath and toilet facilities.
3. Because of reduced area coverage, nursing costs are less.

4. Health insurance programs (including Medicare) encourage subscribers to use less expensive multibed units by generally providing for full insurance coverage on semiprivate and ward units only.

Health care

1. Patients need social contacts to preclude potential problems due to boredom and isolation. This apparently is more apt to be true for maternity, pediatrics, orthopedics, extended-care, and ophthalmologic patients, among others.
2. Patients tend to look out for each other.

Although the information obtained during our review tended to favor private rooms, there was no predominance of opinion that one type of nursing unit was more advantageous than the other.

The Director, Health Care Facilities Service, HSMHA, HEW, advised us that it was the policy of his office to encourage the construction of private rooms since it was a foregone conclusion that private rooms resulted in better patient care and lower operating costs. In response to our question concerning the nature of the encouragement, the Director advised us that it had been done through lectures and word of mouth.

The Director advised us also that the need for private rooms could become even greater in the future because the inpatient services of hospitals would be set up to cope with "sick" people only rather than to accept people who require services that can be delivered on an outpatient basis. It was the Director's opinion that this change would occur when third-party insurers recognized that it was more beneficial to treat ambulatory patients as outpatients. It was the Director's opinion also that the construction of private rooms had been discouraged by the reluctance of third-party insurers to pay for private rooms. The Director acknowledged that

there would be a continuing need for nonprivate rooms because certain types of patients (i.e., maternity, orthopedics, extended-care, and ophthalmologic patients) might desire and need such rooms.

HSMHA officials advised us that, although their policy was to encourage grantees to construct private hospital rooms as the most advantageous nursing units, the policy had not been supported by studies into the relative advantages and disadvantages of private rooms. Our review did not reveal that an official position favoring the private nursing unit had filtered down to the State Hill-Burton agencies or even to the HEW regional offices. Also our review did not show any instance in which a bed mix for a proposed Hill-Burton project had been changed to increase the number of private units as a result of a State review or an HEW regional office review. We noted that many nonprivate units were being built and funded under the Hill-Burton program.

The Assistant Secretary, Comptroller, informed us that HEW did not agree with our proposal that it should establish a policy that would provide a method for determining the optimal mix of nursing units:

- Because Federal participation was less than 30 percent of project costs under the Hill-Burton program and because HEW believed that a minority interest should not dictate the type and design of construction of non-Federal hospitals.
- Because there were a number of variables affecting the design of a hospital that precluded the formulation of a national policy and the development of a method for determining an optimal mix of nursing units. These variables include the type of population to be served by the facility, the category and size of the hospital, and its unit composition.

The Assistant Secretary pointed out that HEW had encouraged recipients of Hill-Burton funds to emphasize the

single-unit-care concept and that HEW planned to continue doing so on an informal basis.

Over the past 20 years, the Federal Government has been one of the largest, if not the largest, single contributor to the construction, renovation, and maintenance of hospitals in the United States and, as such, has made a sizable investment in the Nation's health facilities. Furthermore HEW, as the Government's primary health agency, accounted for \$15.2 billion of the Nation's \$20.6 billion Federal health budget for fiscal year 1971. Under both the Medicare and the Medicaid programs, the Federal Government has a significant interest in the cost of constructing and operating medical facilities.

During appropriation hearings for fiscal year 1969, HEW provided the following statement concerning the role of the Hill-Burton program.

"As in all grant-aided construction programs, Hill-Burton must identify organizational and operational problems which interfere with the most efficient, effective, and economical use of facilities built with Federal aid and (a) subject such problems to the research and development process, or (b) adapt innovative concepts and methodologies relating to the design, staffing, organization, and operation of health facilities for use by health facilities throughout the country. While there are many problems requiring significantly expanded research, other meritorious techniques and concepts which have immediate implications for more efficient, effective, and economical use of health facilities are already known and require only wide-spread implementation. Promoting implementation will be a priority concern of the Hill-Burton program."

#### Conclusions and recommendation

It seems to us that, in view of the varied opinions on the relative costs and benefits of private versus mixed

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nursing units and in view of the Federal Government's significant interest in the cost of constructing and operating hospitals, it would be desirable for HEW to have a benefit-cost study made of the various types of nursing units. The results of the study could be the basis for the establishment of a formal HEW policy for guidance of State Hill-Burton agencies in reviewing and approving applications for Hill-Burton financial assistance. Such a policy also may be of considerable use to persons planning medical facilities construction and renovation projects.

Therefore, we recommend that HEW make a benefit-cost study of the various types of nursing units. We presently are gathering data on the relative costs and benefits of private versus mixed nursing units, and we shall be glad to discuss the results of this work with HEW officials.

We acknowledge the cooperation extended to our representatives during the review, and we shall welcome the opportunity to discuss the above matters with you or your staff.

Copies of this report are being sent to cognizant congressional committees; the Director, Health Care Facilities Service; the Administrator, Health Services and Mental Health Administration; the Assistant Secretary, Comptroller; and the Director of the Audit Agency.

Sincerely yours,

*A. T. Samuelson*

Director, Civil Division

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The Honorable  
The Secretary of Health, Education,  
and Welfare